



RRB News

U.S. Railroad Retirement Board

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Year 2001 Railroad Retirement and Unemployment Insurance Taxes

While regular railroad retirement payroll tax rates are not changed for the year 2001, the amounts of compensation subject to these Federal payroll taxes on covered rail employers and employees are scheduled to increase in January 2001 as a result of indexing to average national wage increases.

The railroad retirement tier I tax rate of 7.65 percent for employers and employees, which is the same as the social security tax and for withholding and reporting purposes is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance, remains the same. However, the maximum amount of an employee's earnings subject to the 6.20 percent rate will increase to \$80,400 in 2001 from \$76,200 in 2000. There is no maximum on earnings subject to the 1.45 percent Medicare rate; all of an employee's compensation is subject to the Medicare tax.

The maximum amount of earnings subject to the railroad retirement tier II tax of 4.90 percent on employees, and, under current law, 16.10 percent on employers, will increase to \$59,700 from \$56,700.

In 2000, the regular railroad retirement tax on an employee earning \$76,200 was \$8,607.60 and the employer's regular railroad retirement tax on such an employee was \$14,958. In 2001, the railroad retirement tax on an employee earning \$80,400 will be \$9,075.90 compared to \$6,150.60 under social security, and the employer's tax will be \$15,762.30.

The rate of the supplemental railroad retirement annuity tax paid solely by rail employers is determined quarterly by the Railroad Retirement Board. The rate for all four quarters of 2000 has been 26 ½ cents per work-hour; the rate for the first quarter of 2001 under current law will be announced later in 2000.

(More)

Employers, but not employees, also pay railroad unemployment insurance taxes, which are experience-rated by employer. The basic tax rates range from a minimum of 0.65 percent to a maximum of 12 percent on monthly earnings up to \$1,050 in 2001, up from \$1,005 in 2000. However, the Railroad Unemployment Insurance Act also provides for a surcharge in the event the Railroad Unemployment Insurance Account balance falls below an indexed threshold amount. Since the accrual balance of the Railroad Unemployment Insurance Account was \$103 million on June 30, 2000, which was less than the indexed threshold of \$112 million, a surcharge of 1.5 percent will be added to the basic tax rates in 2001, but not so as to increase the maximum 12 percent rate.

Consequently, in 2001, the unemployment insurance tax rates on railroad employers will range from 2.15 percent (the minimum basic rate of 0.65 percent plus the 1.5 percent surcharge) to a maximum of 12 percent on monthly compensation up to \$1,050.

The 1.5 percent surcharge will not apply to new employers in 2001, and new employers will initially pay a tax rate of 2.59 percent, which represents the average rate paid by all employers in the period 1997-1999.

For 76 percent of covered employers, the unemployment insurance rate assessed will be 2.15 percent in 2001, which is \$22.58 per month for each employee with earnings of \$1,050 or more per month, and 9 percent will be assessed a rate of 12 percent, which is \$126 per month for each employee with earnings of \$1,050 or more per month.

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